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Rubles, Dollars, and Military Spending

1. We build up our estimates of Soviet defense spending piece by piece, much as military budgets are prepared in this country.

a. For many years, using all sources of information, we have recorded and cataloged the major elements that make up Soviet military forces -- divisions, aircraft, ICBMs, ships and so on.

b. We have established the quantities of men, other equipment and material associated with each of these elements.

c. This detailed information is kept in the memory of a large computer for the past, the present, and as projected for the future -- almost three decades in all.

d. As newer information becomes available, the information in the computer is updated and refined.

2. To calculate the cost of the various programs, we apply ruble prices as well as dollar prices to all of the quantities, add up the results, and get figures for total defense spending in both rubles and dollars.

a. Separate ruble and dollar calculations are necessary because

1) the official exchange rate is unrealistic and

2) the relative cost of goods and labor in Communist economies and free economies are inherently different.

3. The ruble figures show how the costs of the military programs or missions look in Soviet terms and how various programs compare with each other.

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a. They provide a Soviet view of defense spending as a whole and how it eats into spending for industrial or agricultural investment or consumer welfare.

4. The equivalent dollar figures enable US planners to understand the size of Soviet defense programs and activities in terms that allow direct comparisons with US programs.

5. Example: Soviet military personnel costs

a. We estimate Soviet military personnel costs at an average of 1400 rubles per man per year. When we price these in equivalent dollars, the figure is \$5300 -- a ratio of about \$4 to each ruble.

b. If we were to convert the 1400 ruble figure at the official rate of exchange -- \$1.11 to the ruble -- the result would make it appear that the average cost of Soviet military personnel, in US terms, was equivalent to about \$1540 per man, instead of \$5300. This would be entirely unrealistic.

c. Equipment costs show similar relationships. For example, we estimate that a large air defense radar costs the Soviets about 600,000 rubles. To build this same radar in the US would cost about one million dollars. The ratio in this example is about \$1.65 to the ruble, quite different from that of military pay and allowances. Even in the case of military equipment the relationship is still different from the official exchange rate.

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